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This Week in Canadian Agriculture, Issue 43 2002

Approved by:

Gary C. Groves

U.S. Embassy

Prepared by:

George C. Myles, Matthew A. Cahoon, Darlene H. Maginnis

Report Highlights:

Grain Production down for the Third Consecutive Year * No Additional Record Keeping for Canadian Cattle Producers under COOL, but Prices Could Fall * CWB Increases Final Payments for 2001/02 Crop Before Polls Close * Fed-Prov Ag Ministers Can't Agree on Ag Policy * Border "Full of Holes" Says Dairy Farmers * Ontario Signs Important Forestry Standards Agreement * Yukon River Salmon Agreement Signed * CWB Plans Winter Shipping Program Through Quebec City * CDC Authorizes 750 Tonnes of Duty-free Cheddar Cheese Imports * Canadians Increasingly Eating Breakfast out * Burgers and Fries Still Tops in Canada

...and MORE!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

GRAIN PRODUCTION DOWN FOR THE THIRD CONSECUTIVE YEAR SAYS

STATISTICS CANADA: According to Statistics Canada's latest crop production report, Western Canadian farmers experienced one of the worst production seasons in the past 25 years. For some farmers in Alberta and Saskatchewan, it was worse than the in 1930s. Weather, disease and pestilence reduced yields and downgraded quality for producers who were fortunate to have a crop to harvest. Grain production was down for the third consecutive year. Output of western Canada's six major crops was down 44% from 1999, 41% from 2000, and 25% from 2001. Production of the major specialty crops, including lentils, field peas, mustard seed, canary seed and sunflowers seeds, was down 39% from 1999, 49% from 2000, and 25% from 2001. For more information, see GAIN report CA2137.

NO ADDITIONAL RECORD KEEPING FOR CANADIAN CATTLE PRODUCERS UNDER COOL, BUT PRICES COULD FALL: After learning that the USDA's Agricultural Marketing Service had published its estimate of the cost of record keeping for voluntary Country of Origin Labeling at almost \$2 billion for U.S. producers and industries, the Canadian Cattlemen's Association (CCA) claims Canadian cattle producers will not have to implement any additional record keeping, as all cattle and beef exported from Canada will be deemed to be a product of Canada under COOL provisions. However, the CCA has estimated that the per head price for Canadian cattle may decrease by as much as \$92 per head if U.S. retailers turn away from imported products in an attempt to decrease the burden of record keeping and labeling costs imposed on them. In its recent newsletter, the CCA notes that it supports the position of U.S. meat and livestock groups that want to see COOL kept voluntary. The CCA is reportedly working with its government representatives to prepare a Canadian response to the guidelines. The CCA is also continuing to talks with GOC officials about the trade challenges that Canada may file should the program become mandatory in two years.

CWB INCREASES FINAL PAYMENTS FOR 2001/02 CROP: According to a November 29 news release from the Canadian Wheat Board (CWB), prairie farmers will soon be receiving final payments for wheat, durum wheat, feed barley and designated barley marketed by the CWB in the 2001/02 crop year. The following provides initial payment, interim payment, final and total payments by grade: No. 1 Canada Western Red Spring Wheat 12.5%: C\$193.15, C\$8.00, C\$10.39, C\$211.54; No. 1 Canada Western Amber Durum Wheat 12.5%: C\$219.75, C\$34.00, C\$9.99, C\$263.74; No. 1 Canada Western Barley: C\$137.00, C\$30.00, C\$13.00, C\$180.00; Special Select Canada Western 2-Row Designated Barley: C\$202.00, None, C\$8.74, C\$210.74; Special Select Canada Western 6-Row Designated Barley: C\$177.00, None, C\$9.01, C\$186.01.

Payments should be issued in December, pending approval of the amounts by the Government of Canada that have been recommended by the CWB. With CWB board of director elections in half of the CWB electoral districts quickly winding down, Ken Ritter, chair of the CWB's board of directors, said "We're committed to getting farmers their money as quickly and as efficiently as we can." According to the November 29 edition of *Agriline*, the payment announcement is unusual, as it is being made before receiving approval from Ottawa. *Agriline* goes on to say that this year's final payment announcement is the earliest on record, and in previous year, the CWB has held off making such an announcement until it heard back from Ottawa. A complete listing of payments for all grades in dollars per tonne and dollars per bushel is posted on the internet at: http://www.cwb.ca/en/contracts/farmer_payments/current.jsp

MINISTER WHELAN LEADS INTERNATIONAL ROUNDTABLE ON AGRICULTURE:

According to a December 2, 2002 Canadian International Development Agency (CIDA) news release, Susan Whelan, Minister for International Cooperation, hosted an International Roundtable on December 2 in Ottawa to agriculture on the international development agenda. Participants from developing countries as well as other international stakeholders discussed the significance of agriculture in rural development, the impact of unfair subsidies and trade practices on poor farmers, and the need to create opportunities for stronger collaboration and partnerships. "Seventy-five percent of the world's absolute poor live in rural areas, and their livelihoods are most often linked to agriculture," said Whelan. Participants in the roundtable discussions came from Africa, Asia, the Americas, and Europe. They included senior representatives from developing country governments, representatives from other donor countries, major international organizations, and agriculture research bodies from Africa and Asia. Dr. Jacques Diouf, Director-General of the Food and Agriculture Organization of the United Nations, as well as representatives of the World Food Program and the World Bank were present at the roundtable. Parliamentary Secretary to the Minister for International Trade Pat O'Brien spoke at the roundtable on behalf of Minister Pettigrew. Agriculture and Agri-Food Minister Lyle Vanclief also participated in today's discussions.

FED-PROV AG MINISTERS STILL CAN'T AGREE ON APF: The December 5 edition of *Good Morning Ontario* reported that Federal and provincial agriculture ministers met December 4 but couldn't reach an agreement on how to implement a new federal agriculture policy, the Agricultural Policy Framework (APF). Alberta and Nova Scotia ministers were no-shows. The meeting ended on a sour note when Quebec refused to sign the joint communiqué in which ministers said they would consult with the farming community this month before deciding how best to divide billions in federal agriculture funding. Federal agriculture minister Vanclief said that Ottawa must have a say in how the new federal money is spent, adding that the program must be implemented consistently across geographic regions. "The decision will be a national one," Vanclief he said after the meeting. "All of Canada's farmers will be treated equally." The December 2 edition of *Agriline* noted that under a proposed Agriculture Canada discussion paper, a major change to NISA would have Ottawa match NISA funds as they are withdrawn, not when deposited. NISA would also be expanded to include disaster coverage and a new contribution formula is planned. For crop insurance, Ottawa proposes 100% coverage for catastrophic loss, 60% for comprehensive production loss and 33% for high-cost production losses, including spot loss. A link would be established between the NISA and crop insurance programs.

BORDER "FULL OF HOLES" SAYS DAIRY FARMERS OF CANADA: The Dairy Farmers of Canada (DFC) issued a news release this week calling on its members to rally in Ottawa on December 18, 2002. Dairy producers remain skeptical about the federal government bureaucracy's ability to develop solutions capable of addressing important industry concerns. The bureaucracy continues to pursue initiatives that are contrary to the government's policy to support supply management. In August, DFC shared its concerns about imports of products designed to circumvent Canadian tariff-rate quotas with the Ministers of Agriculture and of International Trade and other Liberal Members of Parliament. DFC also raised its concerns about the adequacy of producer pricing. The Ministers reiterated the Government's commitment to supply management and established a working group mandated to find solutions to the challenges faced by dairy farmers. DFC president Leo Bertoia said, "Dairy farmers expect the Canadian Dairy Commission (CDC) to recognize that DFC's request for a minimum increase of three cents per litre represents a much-needed move in the direction of providing fair returns to producers." "Producers lose markets when the border is full of holes," said Mr. Bertoia, "Consumers' confidence is based on the belief that they are buying Canadian dairy products. Meanwhile, bureaucratic bungling has opened the door to a flood of inferior products that compromise consumer and producer confidence." Producers from across the country plan to be in Ottawa on December 18 to impress upon bureaucrats that the livelihoods of Canada's milk producers are dependant on a supply management system that works. The CDC usually announces its increase in support prices for butter and skim milk powder in mid-December.

ONTARIO SIGNS IMPORTANT FORESTRY AGREEMENT: According to a November 7, 2002 media release, the province of Ontario claims that it is the first jurisdiction in Canada to sign an agreement with the Standards Council of Canada (SCC) in relation to forest certification, quoting Natural Resources Minister Jerry Ouellette. The ministry's regulatory framework and the requirements of national standards for sustainable forest management, as developed by the Canadian Standards Association (CSA) and approved by SCC, are complementary. This agreement is an opportunity for the ministry and SCC to recognize the requirements of the other with a goal of utilizing the strengths of both organizations and streamlining processes. "The use of SCC accredited registration bodies increases confidence in Sustainable Forest Management (SFM) activities as the registration bodies must demonstrate that they possess the necessary capabilities, resources, programs and systems to undertake SFM registrations," said Executive Director of the Standards Council of Canada Peter Clark. Ontario's agreement with the Standards Council of Canada is the result of the province's commitment to environmentally friendly and sustainable forest management practices; to Ontario's Living Legacy of parks and protected areas; and to the Ontario Forest Accord, which strikes a balance between forest operations and protection of areas of ecological representation. A fact sheet is available online at: <http://www.mnr.gov.on.ca/MNR/csb/news/nov7fs02.html>

NEW PRAIRIE ETHANOL PLANT WILL USE WHEAT, NOT CORN: The November 29 edition of *Good Morning Ontario*, citing an article from *aginfonet.com*, noted that officials with the new PrairieSun Energy Products ethanol plant being built at Belle Plaine, Saskatchewan say the plant has been designed and will be built to handle wheat. The company was responding to

allegations it would run the plant off cheap imported U.S. corn. While slightly more alcohol can be produced from a bushel of corn than a bushel of wheat, the company says the economics are much better with wheat. One reason is that the livestock feed byproduct is more valuable when wheat is used in the process. The Prairie Sun plant at Belle Plaine will produce 80 million litres a year of ethanol. To do that, 8 million bushels of CPS wheat will be needed.

YUKON RIVER SALMON AGREEMENT SIGNED: This week in Washington, D.C., Under Secretary of State for Global Affairs Paula J. Dobriansky and Canadian Minister of Fisheries and Oceans Robert G. Thibault signed the Yukon River Salmon Agreement. This international agreement, details a cooperative approach to conservation of salmon stocks originating in the Yukon River in Canada. These steps will help protect the salmon stocks for the future. In addition, the restoration and enhancement projects undertaken through this agreement will lead to increased salmon populations in the Yukon River. The agreement will be included as an annex of the Pacific Salmon Treaty. As such, the Yukon River Salmon Agreement is separate from the Pacific Salmon Treaty because it sets out a distinct regime for Yukon River salmon, while adhering to the broad science-based management principles of the Pacific Salmon Treaty. After 17 years of negotiations, the United States and Canada successfully concluded the elements of the Yukon River Salmon Agreement in Whitehorse, Yukon, in March of 2001.

CWB PLANS WINTER SHIPPING PROGRAM THROUGH QUEBEC CITY: The December 2 edition of *Agriweek* reported that last week marked the end of the third month of closure of the Vancouver grain terminals due to lockout of the Grain Workers Union. No negotiations have taken place for two months and none are apparently planned. It is the longest grain movement stoppage in Canadian history and the end is not in sight. Word is that government officials have quietly offered to legislate an end to the dispute, but that the employers declined. With the lake shipping season set to end later this month, the Canadian Wheat Board (CWB) is planning a large winter rail program to move grain in whole trains from prairie elevators directly to Quebec City.

EUROPEAN MALTING BARLEY IMPORTS; OAT EXPORTS LIKELY TO HIT TARGET: Also included in the December 2 edition of *Agriweek* is a report that eastern Canadian maltsters have reportedly booked another 150,000 metric tonnes of malting barley from Denmark and Sweden due to short domestic supplies. Canada's western barley crop is the smallest in 32 year at 7.7 million metric tonnes (revised downward to 7.3 MMT by Statistics Canada) and quality is far below average, so as little as 650,000 metric tonnes may be of malt quality, or a third of average.

In addition, *Agriweek* reported that Canadian oat exports in 2002/03 are unlikely to meet Agriculture Canada's October 24 forecast of 1.35 MMT, according to some traders. AAFC estimated exports at just six percent below 2001/02 levels, but poor quality and heavier shipments from Scandinavia could see exports drop below a million metric tonnes for the first time since 1997/98.

CDC AUTHORIZES 750 TONNES OF DUTY-FREE CHEDDAR CHEESE IMPORTS: According to the December 2 edition of *Agriweek*, the Canadian Dairy Commission (CDC) has authorized imports of 750 metric tonnes (MT) of cheddar cheese duty-free to make up for domestic production shortfalls and high demand. Canada is required to allow imports of 3,274

MT a year at no duty under its WTO commitments, but imports above that level normally incur a prohibitive 245% duty.

CANADIANS INCREASINGLY EATING BREAKFAST OUT: Canadian Restaurant and Foodservices Association's *Foodservice Facts 2002* reports that breakfast and morning snacks account for the largest increase in restaurant traffic in Canada over the past five years. In 1996, this category accounted for 15.5 percent of meal occasions, but it has now grown to 18.5 per cent.

BURGERS AND FRIES STILL TOPS IN CANADA: According to the CREST Canada survey by the NPD Foodservice Information Group, french fries and burgers are still the most popular menu choices in Canada, but they are losing ground to sandwiches, salads and veggie burgers. French fries were included in 22% of all restaurant meals in 2001, down slightly from 24% the year before. Hamburgers retained the number two spot, but their market share fell from 12% of restaurant meals to 11%.

SAM'S CLUB TO OPEN IN CANADA: Wal-Mart Canada will begin opening Sam's Club warehouse stores in 2003. In late November the company announced it plans to open four to six of its club banners in Ontario in the fall of 2003.

Did You Know ...that two out of every three fresh strawberries consumed in Canada originates from the United States. Canada's own production of strawberries is relatively small and limited by climate. The U.S. has a 98% share of the fresh strawberry import market in Canada.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2134	This Week in Canadian Agriculture, Issue 41	11/22/2002
CA2132	Exporter Guide	11/19/2002

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